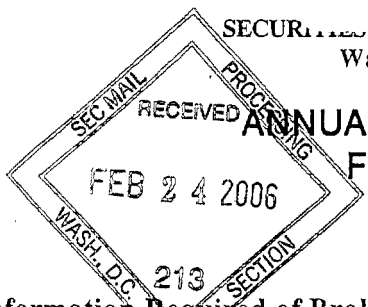


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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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|---|------------------|
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

|                 |
|-----------------|
| SEC FILE NUMBER |
| 8- 65357        |

**FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Geneos Wealth Management, Inc.**

|                   |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM I.D. NO.     |

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

**4700 South Syracuse Parkway, Suite 1000**

(No. and Street)

**Denver**

**CO**

**80237**

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

**Doug Temple**

**(303) 785-8470**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Spicer Jeffries LLP**

(Name - if individual, state last, first, middle name)

**5251 S Quebec St, Suite 200**

**Greenwood Village**

**CO**

**80111**

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

**PROCESSED**

B

**APR 14 2006**

**THOMSON  
FINANCIAL**

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

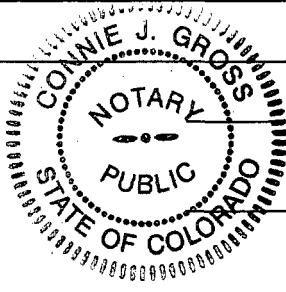
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

4/13/06

OATH OR AFFIRMATION

I, Doug Temple, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Geneos Wealth Management, Inc., as of December 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



[Signature]  
Signature  
Chief Financial Officer  
Title

[Signature]  
Notary Public

My Commission Expires 6/5/2007

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital (including reconciliation of X-17A-5 Part II filing with this Rule 17a-5(d) report, if applicable.)
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditors' Report on Internal Accounting Control

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# **GENEOS WEALTH MANAGEMENT, INC.**

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SPICER JEFFRIES LLP

CERTIFIED PUBLIC ACCOUNTANTS

5251 SOUTH QUEBEC STREET • SUITE 200

GREENWOOD VILLAGE, COLORADO 80111

TELEPHONE: (303) 753-1959

FAX: (303) 753-0338

[www.spicerjeffries.com](http://www.spicerjeffries.com)

## INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
Gēneos Wealth Management, Inc.

We have audited the accompanying statement of financial condition of Gēneos Wealth Management, Inc. as of December 31, 2005, and the related statements of operations, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gēneos Wealth Management, Inc. as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in the supplemental schedule listed in the accompanying index is presented for purposes of additional analysis and is not required for a fair presentation of the financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Spicer Jeffries LLP*

Greenwood Village, Colorado  
February 3, 2006

**msi** Legal & Accounting  
Network Worldwide

Spicer Jeffries is a member of MSI, a network of independent professional firms.

**GENEOS WEALTH MANAGEMENT, INC.**

**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2005**

**ASSETS**

|   |                     |
|---|---------------------|
| Cash and cash equivalents   | \$ 2,784,126        |
| Due from clearing broker  | 174,511             |
| Deposit with clearing broker  | 100,000             |
| Cash surrender value of life insurance (Note 5)                               | 252,724             |
| Commissions receivable  | 905,850             |
| Shareholder advances  | 70,755              |
| Prepaid expenses  | 60,827              |
| Furniture and equipment, at cost, net of accumulated depreciation of \$88,613 | 114,065             |
| Software, at cost, net of accumulated amortization of \$233,228               | 26,478              |
| Deferred tax asset (Note 4)   | 455,438             |
| Other assets  | 21,954              |
|   | <hr/>               |
|   | <b>\$ 4,966,728</b> |

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**LIABILITIES:**

|  |                  |
|--|------------------|
| Commissions payable                      | \$ 810,540       |
| Accounts payable                         | 64,132           |
| Capital lease obligations                | 10,758           |
| Accrued vacation payable                 | 15,200           |
| Deferred rent and deposits               | 44,015           |
| Deferred compensation liability (Note 5) | 621,965          |
| Other accrued liabilities                | 37,709           |
|  | <hr/>            |
| <i>Total liabilities</i>                 | <b>1,604,319</b> |

**SHAREHOLDERS' EQUITY (Note 2):**

|  |                     |
|--|---------------------|
| Common stock, Class A, voting, \$0.0001 par value; authorized<br>20,000,000 shares; 11,383,634 shares issued and outstanding   | 1,139               |
| Common stock, Class B, non-voting, \$0.0001 par value; authorized<br>4,000,000 shares; 3,076,923 shares issued and outstanding | 308                 |
| Additional paid-in capital   | 4,250,909           |
| Deficit  | (889,947)           |
|  | <hr/>               |
| <i>Total shareholders' equity</i>  | <b>3,362,409</b>    |
|  | <hr/>               |
| <i>Total liabilities and shareholders' equity</i>  | <b>\$ 4,966,728</b> |

The accompanying notes are an integral part of this statement.

GÈNEOS WEALTH MANAGEMENT, INC.

STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2005

REVENUE:

|                           |                |
|---------------------------|----------------|
| Commissions               | \$ 30,801,040  |
| Interest and other income | <u>690,187</u> |

*Total revenue* 31,491,227

EXPENSES:

|                                      |               |
|--------------------------------------|---------------|
| Commissions                          | 27,109,787    |
| Salaries, benefits and payroll taxes | 2,147,763     |
| Professional fees                    | 406,752       |
| Travel and entertainment             | 109,719       |
| General and administrative           | 229,455       |
| Occupancy costs                      | 128,943       |
| Depreciation and amortization        | 95,246        |
| Regulatory costs                     | 85,132        |
| Stock option compensation            | 190,748       |
| Clearing fees                        | <u>53,361</u> |

*Total expenses* 30,556,906

*Income before income tax benefit* 934,321

Income tax benefit (Note 4) 449,014

NET INCOME \$ 1,383,335

**GÈNEOS WEALTH MANAGEMENT, INC.**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2005**

|  | Common Stock - A  |                 | Common Stock - B |               | Additional          |                     |
|--|-------------------|-----------------|------------------|---------------|---------------------|---------------------|
|  | Shares            | Amount          | Shares           | Amount        | Paid-In<br>Capital  | Deficit             |
| <b>BALANCES, January 1, 2005</b>       | 9,998,502         | \$ 1,000        | 3,076,923        | \$ 308        | \$ 3,333,049        | \$ (2,273,282)      |
| Issuance of common stock - A           | 1,069,067         | 107             | -                | -             | 692,787             | -                   |
| Options exercised for common stock - A | 316,065           | 32              | -                | -             | 34,325              | -                   |
| Stock option compensation              | -                 | -               | -                | -             | 190,748             | -                   |
| Net income                             | -                 | -               | -                | -             | -                   | 1,383,335           |
| <b>BALANCES, December 31, 2005</b>     | <u>11,383,634</u> | <u>\$ 1,139</u> | <u>3,076,923</u> | <u>\$ 308</u> | <u>\$ 4,250,909</u> | <u>\$ (889,947)</u> |

The accompanying notes are an integral part of this statement.

**GÈNEOS WEALTH MANAGEMENT, INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|   |                  |
|---|------------------|
| Net income  | \$ 1,383,335     |
| Adjustments to reconcile net income to net cash provided by operating activities: |                  |
| Depreciation and amortization   | 95,246           |
| Stock option compensation   | 190,748          |
| Increase in due from clearing broker  | (174,877)        |
| Increase in commissions receivable  | (248,774)        |
| Increase in shareholder advances  | (70,755)         |
| Increase in prepaid expenses  | (44,677)         |
| Decrease in other assets  | (405,438)        |
| Decrease in accounts payable  | 3,264            |
| Increase in commissions payable   | 240,242          |
| Increase in deferred compensation liability                                       | 621,965          |
| Increase in other liabilities   | <u>30,658</u>    |
| <i>Net cash provided by operating activities</i>                                  | <u>1,620,937</u> |

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|   |                  |
|---|------------------|
| Premiums paid for life insurance policies       | (252,724)        |
| Purchase of furniture, equipment, and software  | <u>(44,920)</u>  |
| <i>Net cash used in by investing activities</i> | <u>(297,644)</u> |

**CASH FLOWS FROM FINANCING ACTIVITIES:**

|  |                |
|--|----------------|
| Principal payments under capital lease obligations | (12,499)       |
| Proceeds from issuance of common stock             | <u>727,251</u> |
| <i>Net cash provided by financing activities</i>   | <u>714,752</u> |

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 2,038,045

**CASH AND CASH EQUIVALENTS, at beginning of year** 746,081

**CASH AND CASH EQUIVALENTS, at end of year** \$ 2,784,126

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

|  |                        |
|--|------------------------|
| Cash paid during the year for interest | <u><u>\$ 1,869</u></u> |
|--|------------------------|



# GĖNEOS WEALTH MANAGEMENT, INC.

## NOTES TO FINANCIAL STATEMENTS

### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Organization

GĖneos Wealth Management, Inc. (the "Company") was formed on April 12, 2002, and operates as a nationwide securities broker-dealer and investment advisor. The Company earns revenues from the sale of securities, mutual funds, limited partnership interests, fixed and variable life insurance policies, fixed and variable annuities, and real estate investment trusts (REITs).

#### Clearing Agreement

The Company, under Rule 15c3-3(k)(2)(ii), is exempt from the reserve and possession or control requirements of Rule 15c3-3 of the Securities and Exchange Commission. The Company does not carry or clear customer accounts. Accordingly, all customer transactions are executed and cleared on behalf of the Company by its clearing broker on a fully disclosed basis. The Company's agreement with its clearing broker provides that as clearing broker, that firm will make and keep such records of the transactions effected and cleared in the customer accounts as are customarily made and kept by a clearing broker pursuant to the requirements of Rules 17a-3 and 17a-4 of the Securities and Exchange Act of 1934, as amended (the "Act"). It also performs all services customarily incident thereon, including the preparation and distribution of customer's confirmation and statements and maintenance margin requirements under the Act and the rules of the Self Regulatory Organizations of which the Company is a member.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

#### Revenue Recognition

Securities transactions and commission revenue and expense are recorded on a trade date basis. Interest and dividend income are recognized in the period earned.

#### Depreciation and Amortization

The Company provides for depreciation and amortization of furniture, equipment, and software on a straight-line method based on the estimated useful lives of the assets ranging from three to seven years.

# GENEOS WEALTH MANAGEMENT, INC.

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

#### Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under the asset and liability method of Statement 109, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

#### Stock Option Plan

At December 31, 2005, the Company has a stock-based employee compensation plan, which is described in more detail in Note 6. The Company accounts for this plan under the recognition and measurement principles of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. During the year ended December 31, 2005, stock-based compensation cost of \$190,748 is reflected in the statement of operations, as all options granted under this plan had an exercise price less than the market value of the underlying common stock on the grant date. The following table illustrates the effect on net income if the Company had applied the fair value provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to stock-based employee compensation:

|   |                     |
|---|---------------------|
| Net income, as reported   | \$ 1,383,335        |
| Less: additional stock-based employee compensation cost<br>determined under the fair value method, net of<br>income taxes | <u>(38,676)</u>     |
| Pro forma net income  | <u>\$ 1,344,659</u> |

The fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.5%; no dividend yield; volatility of 1.2%; weighted-average fair value of the underlying stock of \$0.65; and an expected life of five years.

### **NOTE 2 - NET CAPITAL AND MINIMUM CAPITAL REQUIREMENTS**

Pursuant to the net capital provisions of rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. At December 31, 2005, the Company had net capital and net capital requirements of \$2,176,782 and \$106,955, respectively. The Company's net capital ratio (aggregate indebtedness to net capital) was 0.74 to 1. According to rule 15c3-1, the Company's net capital ratio shall not exceed 15 to 1.

GENEOS WEALTH MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

**NOTE 3 - LEASE OBLIGATIONS**

**Capital Lease Obligations**

The Company has two capital leases covering equipment. Aggregate annual payments on the capital lease obligations as of December 31, 2005, are as follows:

|                              |                  |
|------------------------------|------------------|
| Capital lease obligation (A) | \$ 6,940         |
| Capital lease obligation (B) | <u>3,818</u>     |
|                              | <u>\$ 10,758</u> |

(A) Capital lease covering a copier for five years expiring July 2007.

(B) Capital lease covering phone system for two years expiring June 2006.

Aggregate annual payments on capital lease obligations at December 31, 2005, are as follows:

| <u>Year</u>                                    | <u>Amount</u>    |
|--|------------------|
| 2006   | \$ 13,058        |
| 2007   | <u>4,803</u>     |
|  | 17,861           |
| Less: amount representing interest             | <u>(7,103)</u>   |
| Present value of future minimum lease payments | <u>\$ 10,758</u> |

The amount of equipment under capital leases at December 31, 2005, was \$41,191. This property had related accumulated depreciation of \$30,433 for a net book value at December 31, 2005, of \$10,758.

**Operating Leases**

The Company has entered into a long-term non-cancelable operating lease for office space beginning August 9, 2002, and ending December 31, 2008. A portion of the lease space is subleased under a lease dated on January 1, 2003, and expiring June 30, 2005. Future minimum lease payments at December 31, 2005, are as follows:

| <u>Year</u> | <u>Amount</u>     |
|-------------|-------------------|
| 2006        | \$ 143,803        |
| 2007        | 148,032           |
| 2008        | <u>152,262</u>    |
|             | <u>\$ 444,097</u> |

Rent expense for the year ended December 31, 2005 was approximately \$130,000.

**GENEOS WEALTH MANAGEMENT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**NOTE 4 - INCOME TAXES**

As of December 31, 2005, the Company has approximately \$562,000 in net operating loss carryovers expiring at various dates through 2025, which may be used to offset future taxable income. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax liabilities and assets as of December 31, 2005, are as follows:

|   |                   |
|---|-------------------|
| Deferred tax liabilities                        | \$ <u>-</u>       |
| Deferred tax assets:                            |                   |
| Net operating loss carry forward                | \$ 209,598        |
| Temporary differences in assets and liabilities | <u>245,840</u>    |
|   | <u>\$ 455,438</u> |

The valuation allowance decreased \$725,000 for the year ending December 31, 2005.

**NOTE 5 - DEFERRED COMPENSATION PLAN AND PROFIT-SHARING PLAN**

On July 1, 2005, the Company established a non-qualified deferred compensation plan for certain registered representatives, directors, and employees. Participants are allowed to defer 1% - 100% of their annual income into the plan. Participants can select various investment options for their accounts; where their contributions are indexed to the investment options.

The deferred compensation liability for the participants' deferred income plus any investment income or losses on their accounts are recorded on the books of the Company. As of December 31, 2005, the Company has recorded \$621,965 for this liability. Approximately 60% of the participants deferrals are funded into a revocable trust to pay future obligations of the deferred compensation plan. In the trust, the Company has purchased life insurance policies on the lives of the participants in order to fund the plan obligations upon death of a participant. As of December 31, 2005, the Company had a cash surrender value on these life insurance policies of \$252,724.

During 2003, the Company adopted a 401(k) profit-sharing plan covering substantially all employees. The Company's contributions to the plan are determined annually by the Board of Directors. No Company contributions were made during 2005.

**GÈNEOS WEALTH MANAGEMENT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**NOTE 6 - STOCK OPTION PLAN**

The Company has a fixed option plan under which the Company may grant options that vest ratably over a five year period or sooner as determined by the Board of Directors to its employees and registered representatives for up to 3,800,000 shares of common stock. The exercise price of each option shall be determined by the Board of Directors at the date of grant. An option's maximum term is 10 years. The fair value of options granted is estimated on the date of the grant using the minimum value method with a fair value of \$0.65. A summary of the Company's stock option activity and related information at December 31, 2005, is presented below:

|                                | Options        | Price per share      |                  |
|--------------------------------|----------------|----------------------|------------------|
|                                |                | Range                | Weighted-average |
| Outstanding, December 31, 2004 | 225,823        | \$0.10 - \$0.65      | \$ 0.15          |
| Granted                        | 840,161        | 0.10 - 0.65          | 0.46             |
| Exercised                      | (341,065)      | 0.10 - 0.65          | 0.15             |
| Forfeited                      | -              | -                    | -                |
| Outstanding, December 31, 2005 | <u>724,919</u> | <u>\$0.10 - 0.65</u> | <u>\$ 0.51</u>   |

The following table summarized information about options outstanding at December 31, 2005:

| Range of<br>Exercise<br>Price | Shares  | Outstanding Options              |                              | Exercisable options |                              |
|-------------------------------|---------|----------------------------------|------------------------------|---------------------|------------------------------|
|                               |         | Remaining<br>Contractual<br>Life | Weighted<br>Average<br>Price | Shares              | Weighted<br>Average<br>Price |
| \$0.10 - 0.65                 | 724,919 | 9.00                             | \$ 0.51                      | 149,423             | \$ 0.51                      |

**NOTE 7 - FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISKS  
AND UNCERTAINTIES**

In the normal course of business, the Company's activities through its clearing broker involve the execution, settlement and financing of various customer securities transactions. These activities may expose the Company to off-balance sheet risk. In the event a customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the customer's obligations.

In addition, the Company bears the risk of financial failure by its clearing broker. If the clearing broker should cease doing business, the Company's receivable and deposit from this clearing broker could be subject to forfeiture. The Company also maintains its cash balances in several financial institutions, which at times may exceed federally insured limits. As of December 31, 2005, the Company held cash of \$292,039 in excess of the federally insured limit. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

## **SUPPLEMENTARY INFORMATION**

**GENEOS WEALTH MANAGEMENT, INC.**

**COMPUTATION OF NET CAPITAL  
PURSUANT TO NET CAPITAL RULE 15c3-1  
DECEMBER 31, 2005**

**CREDIT:**

|                      |    |           |
|----------------------|----|-----------|
| Shareholders' equity | \$ | 3,362,409 |
|----------------------|----|-----------|

**DEBITS:**

Nonallowable assets:

|  |  |         |
|--|--|---------|
| Cash surrender value of life insurance |  | 252,724 |
| Commissions receivable                 |  | 90,585  |
| Shareholder advances                   |  | 70,755  |
| Prepaid expenses                       |  | 60,827  |
| Furniture, equipment, and software     |  | 140,543 |
| Deferred tax asset (Note 4)            |  | 455,438 |
| Other assets                           |  | 21,954  |
| Excess fidelity bond deductible        |  | 37,165  |

|                     |  |           |
|---------------------|--|-----------|
| <i>Total debits</i> |  | 1,129,991 |
|---------------------|--|-----------|

|                                    |  |           |
|------------------------------------|--|-----------|
| <i>Net capital before haircuts</i> |  | 2,232,418 |
|------------------------------------|--|-----------|

|                                    |  |        |
|------------------------------------|--|--------|
| Haircuts on money market positions |  | 55,636 |
|------------------------------------|--|--------|

|                    |  |           |
|--------------------|--|-----------|
| <b>NET CAPITAL</b> |  | 2,176,782 |
|--------------------|--|-----------|

Minimum requirements of 6-2/3% of aggregate indebtedness of  
\$1,604,319 or \$50,000, whichever is greater

|  |  |         |
|--|--|---------|
|  |  | 106,955 |
|--|--|---------|

|                           |    |           |
|---------------------------|----|-----------|
| <i>Excess net capital</i> | \$ | 2,069,827 |
|---------------------------|----|-----------|

**AGGREGATE INDEBTEDNESS:**

|  |  |         |
|--|--|---------|
| Commissions payable                      |  | 810,540 |
| Accounts payable                         |  | 64,132  |
| Capital lease obligations                |  | 10,758  |
| Accrued vacation payable                 |  | 15,200  |
| Deferred rent and deposits               |  | 44,015  |
| Deferred compensation liability (Note 5) |  | 621,965 |
| Other accrued liabilities                |  | 37,709  |

|  |    |           |
|--|----|-----------|
|  | \$ | 1,604,319 |
|--|----|-----------|

|   |  |           |
|---|--|-----------|
| <b>RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL</b> |  | 0.74 to 1 |
|---|--|-----------|

NOTE: There are no material differences between the above computation of net capital and the corresponding computation as submitted by the Company with the unaudited Form X-17A-5 as of December 31, 2005.



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## INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

The Board of Directors  
Gëneos Wealth Management, Inc.

In planning and performing our audit of the financial statements and supplementary information of Gëneos Wealth Management, Inc. for the year ended December 31, 2005, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Gëneos Wealth Management, Inc. that we considered relevant to the objectives stated in Rule 17a-5(g), (i) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3; and (ii) for safeguarding the occasional receipt of securities and cash until promptly transmitted to the Company's clearing brokers. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or complying with the requirements for prompt payment for securities under section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. This report recognizes that it is not practicable in an organization the size of Gēneos Wealth Management, Inc. to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005, to meet the SEC's objectives.

In addition, our review indicated that Gēneos Wealth Management, Inc. was in compliance with the conditions of exemption from Rule 15c3-3 pursuant to paragraph k(2)(ii) as of December 31, 2005, and no facts came to our attention to indicate that such conditions had not been complied with during the year.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange, Inc. and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

A handwritten signature in cursive script that reads "Spicer Jeffries LLP".

Greenwood Village, Colorado  
February 3, 2006